

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 XMB-02 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-02 /060 W

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R 141940Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8670

INFO ALL EC CAPITALS 547

AMEMBASSY TOKYO

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DPEARTMENT PASS TREASURY FGR PELIKAN AND EXIMBANK FOR

MINIKES AND AMBACH

E.O. 11652: NA

TAGS: EFIN, EEC

SUBJECT: EXPORT CREDIT

GENTLEMEN'S AGREEMENT -- EC WORKING GROUP

RESULTS

REFS: A. STATE 64908

B. EC BRUSSELS 2350

1. SUMMARY: THE EC EXPORT CREDIT WORKING GROUP MADE NO MAJOR CHANGES IN ITS POSITION TOWARD THE DRAFT GENTLEMEN'S AGREEMENT. IT REVIEWED US-PROPOSED DRAFTING CHANGES AND HAS NOW SUBMITTED TO THE GOJ AND THE MISSION A NUMBER OF COMMENTS, WHICH ARE INCLUDED HEREIN. END SUMMARY.

2. EC COMMISSION AND COUNCIL OFFICIALS TELL US THAT THE EC WORKING GROUP MEETING ON EXPORT CREDITS ON APRIL 9-10 PRODUCED NO MAJOR

CHANGES IN THE EC NEGOTIATION POSITION. MOST OF THE MEETING'S

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TIME WAS DEVOTED TO DISCUSSING THE US PROPOSED CHANGES TO THE

DRAFT GENTLEMEN'S AGREEMENT (REF A).

3. MRS. ARCHIBALD IS AWAITING A US DEFINITION FOR LARGE PROJECT EXCEPTIONS. THE US ALSO NEEDS TO STATE ITS POSITION CONCERNING THE OECD SECTORAL AGREEMENT FOR SHIPPING. MRS ARCHIBALD NOTES THAT THE US AGREED TO GIVE OTHER PARTICIPANTS ADEQUATE NOTICE OF THE US PLANS TO SUBMIT A FORMAL PROPOSAL REGARDING SPECIAL SCHEMES TO COVER INFLATIONARY PRICE INCREASES AND EXCHANGE RATE FLUCTUATIONS (SEE PARA 3, REF B).

4. MRS. ARCHIBALD INDICATES THE WORKING GROUP IS CONCERNED OVER THE GOJ'S ADAMANT POSITION ON A MINIMUM INTEREST RATE OF 7.5 PERCENT. THE EC BELIEVES THIS IS THE GOJ'S MAIN CONCERN; ITS OTHER OBJECTIONS ARE NEGOTIATABLE. WHILE THERE IS STILL NO EC CONSENSUS, MOST MEMBER STATES FAVOR A HIGHER MINIMUM RATE. THE GROUP DISCUSSED THE POSSIBILITY OF SPLITTING THE US-GOJ POSITIONS BY PROPOSING A 7.75 PERCENT MINIMUM, BUT NO AGREEMENT WAS REACHED. THE FRENCH ARE REPORTEDLY INCLINED TOWARD 7.5 PERCENT. THE MEMBER STATES ARE NOW REVIEWING THEIR INTERNAL INTEREST RATE STRUCTURES TO DECIDE ON AN APPROPRIATE MINIMUM RATE FOR WEALTHY COUNTRIES.

5. THE COUNCIL'S SECRETARIAT GAVE THE GOJ AND US A MEMORANDUM DATED APRIL 11, 1975 WHICH CONTAINS THE FOLLOWING WORKING GROUP COMMENT ON THE US DRAFTING CHANGES (REF A): QUOTE

A. MINIMUM INTEREST RATE

1.2. THE DELEGATIONS OF THE "NINE" CAN ACCEPT THE SUGGESTIONS MADE BY THE UNITED STATES DELEGATION.

1.3 (A) THE DELEGATIONS OF THE "NINE" CAN ACCEPT THE SUGGESTIONS MADE BY THE UNITED STATES DELEGATION.

B. AVERAGE REAL COST

II.2 THE DELEGATIONS OF THE "NINE" CAN ACCEPT THE SUGGESTIONS MADE BY THE UNITED STATES DELEGATION.

C. MAXIMUM LENGTHS OF CREDIT

THE NINE SUGGEST THE FOLLOWING TEXT FOR PARAGRAPH III.1:

"1. EXPORT CREDITS BENEFITING FROM OFFICIAL SUPPORT, EITHER IN THE FORM OF PUBLIC MEASURES AS DEFINED UNDER I.3 OR IN THE FORM LIMITED OFFICIAL USE

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OF OTHER CREDIT GUARANTEES AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE OR ANY OTHER PUBLIC BODY, SHALL NOT EXCEED 8 1/2 YEARS WITHOUT PREJUDICE TO THE SHORTER PERIODS RULING FOR MOST TRANSACTIONS."

COMMENT: THE ADDITION OF THEWORD "OTHER" IS INTENDED TO MAKE THE TEXT OF THIS SECTION CONSISTENT WITH ONE OF THE MODIFICATIONS MADE IN THE SECTION RELATING TO DOWN-PAYMENTS (SEE BELOW).

D. MINIMUM PERCENTAGE OF DOWN-PAYMENTS

IV. THE "NINE" SUGGESTS THE FOLLOWING TEXT:

"IN THE CASE OF EXPORT CREDITS OF OVER 2 YEARS BENEFITING FROM OFFICIAL SUPPORT EITHER IN THE FORM OF PUBLIC MEASURES AS DEFINED UNDER I.3 OR IN THE FORM OF OTHER CREDIT GUARANTEES AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE OR ANY OTHER PUBLIC BODY, THE DOWN-PAYMENTS SHALL AMOUNT TO AT LEAST 15 PERCENT AND SHALL BE RECEIVED, AT THE LATEST, BY THE STARTING POINT OF THE CREDIT AS DETERMINED BY THE BERNE UNION. (HOWEVER, THIS MINIMUM PERCENTAGE IS INCREASED TO 20 PERCENT FOR TRANSACTIONS WITH COUNTRIES LISTED IN ANNEX II.)

COMMENT: THE TEXT MAINTAINS PART OF THE TEXT CIRCULATED EARLIER BY THE SECRETARIAT BUT ALSO INCORPORATES SOME OF THE SUGGESTIONS MADE BY THE UNITED STATES DELEGATION. DELEGATIONS ARE ASKED TO NOTE THAT, AFTER FURTHER EXAMINATION OF THE TEXT, THE "NINE" HAVE THOUGHT IT USEFUL TO SPECIFY IN THIS SECTION, AND IN ACCORDANCE WITH PARAGRAPH I.1. OF THE TEXT, THAT ITS PROVISIONS ONLY APPLY TO CREDITS OF OVER 2 YEARS. THE "NINE" ALSO PREFER TO MAINTAIN THE EXPRESSION "DOWN-PAYMENTS" IN THE PLURAL TO COVER THE NUMEROUS CASES WHERE THE DOWN-PAYMENTS ARE MADE IN MORE THAN ONE INSTALLMENT.

E. PROJECTS REQUIRING LONGER TERMS OF REPAYMENT (US VERSION OF VI.1.)

AS THIS PARAGRAPH SETS OUT THE POSITION OF THE UNITED STATES DELEGATION, THE "NINE" HAVE NO COMMENT TO MAKE OTHER THAN TO RECALL THEIR GENERAL RESERVATION ON THIS MATTER.

F. SECTORAL AGREEMENTS

VI.2.A THE "NINE" ARE UNABLE TO ACCEPT THE NEW DRAFT SUGGESTED BY THE UNITED STATES DELEGATION AND CONSIDER THAT THE TEXT CIRCULATED EARLIER BY THE SECRETARIAT LEAVES LESS ROOM FOR AMBIGUITY.

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DEPARTMENT PASS TREASURY FOR PELIKAN AND EXIMBANK FOR  
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G. MATCHING

VI.5. THE "NINE" SUGGEST THE FOLLOWING TEXT:

"BY WAY OF DEROGATION FROM THE PROVISIONS UNDER ...EACH PARTY  
MAY, AFTER SIMULTANEOUS NOTIFICATION TO THE OTHER PARTIES,  
GRANT SOFTER TERMS THAN THOSE REFERRED TO UNDER THESE SAME  
HEADINGS TO MATCH:

--DIRECT COMPETITION BENEFITING FROM OFFICIAL SUPPORT NOT IN  
ACCORDANCE WITH THE RULES OF THIS AGREEMENT;

-- UNTIL THE DATE OF THEIR EXPIRY, EXISTING COMMITMENTS IN THE  
FORM OF OUTSTANDING OFFERS, INTERNAL CONVENTIONS AND BILATERAL  
AGREEMENTS OF ANOTHER PARTY WHICH ARE NOT IN ACCORDANCE WITH  
SECTIONS I - VI OF THIS AGREEMENT."

COMMENT: THIS TEXT INCORPORATES PART OF THE TEXT DRAWN UP  
BY THE SECRETARIAT AND SOME OF THE SUGGESTIONS MADE BY THE  
UNITED STATES DELEGATION. THE SECOND SUB-PARAGRAPH HAS BEEN  
MODIFIED TO BE CONSISTENT WITH THE TEXT NOW SUGGESTED BY THE  
"NINE" FOR VII.1.B. (SEE BELOW). AS REGARDS THE SUGGESTION  
BY THE UNITED STATES DELEGATION TO USE THE TERMS "TO MEET",  
THE "NINE" CONSIDER THAT THIS IS A CHANGE OF SUBSTANCE IN THE  
TEXT. ON REFLECTION, THE "NINE" CONSIDER THE TERMS "OFFICIAL  
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SUPPORT" MORE APPROPRIATE THAN "PUBLIC MEASURES" IN  
THE FIRST SUB-PARAGRAPH.

#. IMPLEMENTATION OF THE ARRANGEMENT

VII.1.B. THE "NINE" SUGGEST THE FOLLOWING:

"THE PROVISIONS OF THIS AGREEMENT WILL TAKE EFFECT IMMEDIATELY  
ON NEW BUSINESS. THIS IS WITHOUT PREJUDICE TO EXISTING  
COMMITMENTS IN THE FORM OF OUTSTANDING OFFERS, INTERNAL CON-  
VENTIONS AND BILATERAL AGREEMENTS UNTIL THE DATE OF THEIR EXPIRY.

(IF, AFTER THE ENTRY INTO FORCE OF THE AGREEMENT, SUCH COMMITMENTS, IN WHOLE OR IN PART, ARE OPEN TO RENEGOTIATION OR HAVE TO BE RENEWED, THE PROVISIONS OF THIS AGREEMENT WILL APPLY.)"

COMMENT: THIS TEXT INCORPORATES PART OF THE TEXT DRAWN UP BY THE SECRETARIAT AND THE SUGGESTION OF THE UNITED STATES DELEGATION RELATING TO "RENEGOTIATION".

I. VII.W.A. THE "NINE" ARE UNABLE TO ACCEPT THE SUGGESTIONS MADE BY THE UNITED STATES DELEGATION, TO THE EXCEPTION OF THE DELETION OF THE WORD "PERIOD". THE TEXT WOULD THUS READ AS FOLLOWS:

"WITHIN THE 15 DAYS REFERRED TO IN 1A. EACH PARTY SHALL NOTIFY AND OTHER PARTIES OF:

-- THOSE COMMITMENTS REFERRED TO IN 1.B. WHICH CONCERN TRANS-ACTIONS WITH A LENGTH OF CREDIT OF MORE THAN 5 YEARS,

--THE INTERNAL CONVENTIONS AND BILATERAL AGREEMENTS REFERRED TO IN 1.B.,

WHICH CONTAIN CREDIT CONDITIONS NOT IN CONFORMITY WITH THOSE LAID DOWN BY THIS AGREEMENT."

J. VILE. THE "NINE" ACCEPT THE MODIFICATIONS SUGGESTED BY THE UNITED STATES DELEGATION. END QUOTE.

6. MOST OF THE GROUP'S COMMENTS ARE INTENDED TO ADD PRECISION TO THE DRAFT AGREEMENT. MISS HUMPHREYS OF THE SECRETARIAT SAYS THE GROUP AGREED TO TRANSLATE "OFFER" IN PARA 5(G) AS PROMESA DE GARANTIE RATHER THAN OFFRE. THIS TRANSLATION SHOULD COVER ORAL OFFERS BY FRANCE AND OTHERS. REGARDING THE US INSERTION OF "AMENDMENT" IN SECTION VII.1.B, THE GROUP OJBECTED TO THIS BECAUSE IT IS A CUSTOMARY PRACTICE TO ADJUST EXISTING COMMITMENTS TO MEET CHANGES IN THE NEEDS OF CREDIT RECIPIENTS.

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7. THE EC WOULD BE PREPARED TO CONSIDERAN EXPERT LEVEL MEETING JUST BEFORE THE PRINCIPALS' MEETING, IF THIS IS CONSIDERED NECESSARY TO IRON OUT OUTSTANDING DRAFT DIFFERENCES. GREENWALD

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